

MINUTES

MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN MIKE COONEY**, on April 5, 2005 at 8:00 A.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Mike Cooney, Chairman (D)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. John Brueggeman (R)
Sen. John Cobb (R)
Sen. John Esp (R)
Sen. Steven Gallus (D)
Sen. Ken (Kim) Hansen (D)
Sen. Bob Hawks (D)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Lane L. Larson (D)
Sen. Greg Lind (D)
Sen. Don Ryan (D)
Sen. Trudi Schmidt (D)
Sen. Corey Stapleton (R)
Sen. Jon Tester (D)
Sen. Dan Weinberg (D)
Sen. Carol Williams (D)

Members Excused: None.

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 11, 3/30/2005; HB 540,
3/30/2005; HB 12, 3/30/2005; HB
299, 3/30/2005; HB 748, 3/30/2005
Executive Action: HB 540; HB 12; HB 299

HEARING ON HB 11**Opening Statement by Sponsor:**

REP. WALTER MCNUTT (R), HD 37, Sidney, opened the hearing on **HB 11**, Treasure state endowment appropriation. The bill is about safe drinking water, proper sewage disposal, and safe bridges for communities across Montana. The Treasure State Endowment program was designed to assist communities in infrastructure investments that local governments have a difficult time funding. The grants for this program will help over forty projects around the state. HB 11 also provides a small amount of emergency funds for the interim. There were two projects that were eliminated from the last go-round because they were unable to move forward. There were some technical changes; three types of funding were eliminated because they were never used.

EXHIBIT (fcs72a01)**Proponents' Testimony:**

Jim Edgcomb, Department of Commerce, advised the Treasure State Endowment Program (TSEP) was created in 1992 to help local governments solve serious health and safety threats and make local public infrastructure improvements financially feasible and reasonably affordable. HB 11 appropriates monies from the Treasure State Endowment Fund to 39 local governments to help finance the construction of public infrastructure projects. The Long Range Planning Subcommittee held five days of hearings on these projects and discussed each of these that were being recommended for funding. HB 11 also amends the enabling statute so the Department will report to the Legislature on the status of all construction projects not yet completed. It also amends the enabling statute to specifically allow the use of TSEP funds for emergency projects and for preliminary engineering studies. There will be \$100,000 appropriated from the fund so that the Department of Commerce can award grants to local governments for emergency projects that cannot wait for legislative approval. It will appropriate \$600,000 from the fund so that the Department can award grants to local governments for preliminary engineering studies. HB 11 also amends the enabling statute in order to eliminate three types of funding options of local governments: utilize annual debt service subsidies, subsidize loans for construction projects, and deferred loans for preliminary engineering studies. The House Appropriations Committee amended HB 11 to terminate one grant that was awarded in 2001 for the Florence County Water and Sewer District. They decided not to move forward with their project. Rather than terminate another grant, it will reduce another grant that was awarded in 2001 to

the Essex Water and Sewer District from \$225,000 to \$100,000. The reason for this is an agreement with the Department of Environmental Quality (DEQ) and the district to move forward with a portion of the project. This is a high priority for DEQ. HB 11 will appropriate monies from the Treasure State Endowment Regional Water System Fund to provide funds for the state share of funding regional water system projects. TSEP has been a grant program, because there are more competitive loan programs. Most of the projects will have substantial loans or cash reserves as part of their funding package. Applicants typically provide a minimum of 50 percent of the cost of the project in order to match the TSEP funds. Of the 47 projects that applied, six of those had eight percent of the project paid for by other sources. Another seven applicants had over 70 percent matching funds. The applications are analyzed to make sure the communities are contributing their fair share towards financing the project. For water and wastewater projects the applicant's proposed user fees are analyzed in comparison to specific target rates that are unique to each community. That target rate is based on local mean household income. For bridge projects they use a different set of financial indicators based upon the property taxpayer. Applications are scored and ranked based upon criteria that are in law. The applications are analyzed and ranked by the Department and staff. The Department contracts with engineering firms to provide assistance in evaluating and scoring the technical aspects of these applications. The project evaluations and funding recommendations for the 2007 biennium were published.

EXHIBIT (fcs72a02)

There are 39 projects recommended for funding and three additional projects authorized to receive a grant if one of the other grant recipients decides not to proceed with their project. He thanked the members of the subcommittee.

John Tubbs, Department of Natural Resources and Conservation (DNRC), said in addition to funding water and sewer projects, Section 10 of the bill funds the regional water systems appropriations for construction. There are also some funds in HB 2 to pay staff and support the authorities themselves. In Section 10 there is \$5.3 million appropriated for regional water construction in the next two years. These will be matched with federal dollars. There is coordination language in the bill that will either strike the \$5.3 million appropriation in HB 11 should the bonding bill pass, or the cash expenditure will be maintained should the bonding bill fail. That gives a little room regarding the spending cap issue that is facing the Legislature this session.

Gordon Morris, Montana Association of Counties (MACo), rose in support of the bill.

Mark Manoukian, St. Mary's Working Group, stated he appreciated the funding of reconstruction efforts for the St. Mary's project.

Larry Myers, Two Rivers Economic Growth, stated wholehearted support for HB 11, particularly the funding in the bill for the bridge across the St. Mary River. That is part of a match for a request in federal funding. He said the support of the committee would be appreciated.

Informational Testimony: None.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. GREG LIND asked how the program was funded when it was set up in 1992. **Mr. Edgcomb** advised the program is funded through coal severance taxes. Currently, 50 percent of the funds that come down into the permanent trust go into the Treasure State Endowment Fund. There was a \$10 million initial amount that was added to the fund when it was first set up.

SEN. TRUDY SCHMIDT asked **Mr. Tubbs** about the spending cap issue related to the bonding bill. **Mr. Tubbs** explained HB 748, general obligation bonds for water resource projects, provides an alternative funding source for regional water system construction for the next two years. There is \$5 million in general obligation bonds that the state can issue and use those bond proceeds for construction costs rather than the cash that is in the interest earning account for regional water systems. As a result, the use of bond funds is not counted towards the cap, whereas the expenditure in HB 11 is counted towards the cap.

SEN. GREG BARKUS inquired about the difference in the schedule of awards in comparison to the recommendations of Governor Martz. The first four items are increased by \$150,000 each. The Fairfield, Circle, and Sun Prairie projects are cut off, and there are about six projects at the end of Governor Martz's recommendation. **Mr. Edgcomb** advised \$150,000 was added to the top four projects because of need. **SEN. BARKUS** asked if funding was eliminated for Fairfield, Circle, and Sun Prairie. **Mr. Edgcomb** replied Circle, Fairfield, and Sun Prairie are the three projects that will be authorized for funding if one of the projects does not utilize their grant. They are not cut out, but there is no guarantee of being funded.

SEN. RICK LAIBLE asked if those three will have priority, or if they will go through the same process again. **Mr. Edgcomb** responded there will be no priority; they will need to reapply to the program. Any of the projects that are not fully funded will need to reapply to the program and compete against all the rest of the applicants. Part of the reason is there are problems with the last seven projects, so they did not score enough to be fully funded. That is why they do not give priority to these projects the next time there is funding. **SEN. LAIBLE** asked if these are just for water or for any sort of infrastructure need and when these applications must be submitted. **Mr. Edgcomb** replied they accept applications every two years. They fund water, sewer, storm drains, solid waste, and bridges.

SEN. JON TESTER referred to the ranking sheet and commented that most of them ranked low in planning. They went down the list much further than they had in the past because there was the money to do it. Typically if the planning is not A+ they seldom get the money; this session they did but not all of them. There were some projects let in that in previous bienniums would not have made the cut.

Closing by Sponsor:

REP. MCNUTT hoped they would concur with HB 11.

CHAIRMAN COONEY will carry the bill on the floor of the Senate.

HEARING ON HB 540

{Tape: 1; Side: A; Approx. Time Counter: 20.9}

Opening Statement by Sponsor:

REP. SUE DICKENSON (D), HD 25, Great Falls, opened the hearing on **HB 540**, Bonding for higher education and other state projects. She presented the committee with a summary of the bonding capability of the state of Montana and an information sheet on the Fort Belknap Water Compact negotiations.

EXHIBIT(fcs72a03)

EXHIBIT(fcs72a04)

HB 540 is about education, water, jobs, the economy, and history. There were numerous co-sponsors on the bill. Legislators have heard from constituents that they want workforce training; two-year education; accessibility and affordability to two-year and higher education; reconstruction and resolution of water projects

vital to the Highline, agriculture, communities, small business; and the opportunity to create a new history museum. She contended it is time to invest in Montana's future. HB 540 authorizes the issuing of general obligation bonds of \$67.5 million for projects designated in Section 2 of the bill.

EXHIBIT (fcs72a05)

This bonding bill coincides with the vision of Shared Leadership, which is a concept bringing together the Executive Branch, Higher Education, and the Legislature to further economic development and greater prosperity in the state. **SEN. BARKUS, SEN. DON RYAN, SEN. LAIBLE** and **REP. DICKENSON** were on the Education and Local Government Committee in the interim. The idea of shared leadership came out of that committee. The projects represent clear and compelling investments in Montana's future. A significant portion of the total funding will be invested in two-year education. Montana policymakers, businesses, agricultural groups, and educational leaders all emphasized the need to expand the role and impact of two year colleges. That cannot be done without the facilities to meet the growing demands and opportunities in this area. There is no doubt that the debt service on these bonds will be returned to the state many times over in the form of increased productivity for Montana employers, increased recruitment of new businesses, and expanded jobs and income levels for Montana citizens. With an associate degree from a two-year program a family can expect to earn \$15,000 more annually. As a stepping stone toward a four-year degree, it means an annual increase in income of \$44,000 for a family. The result is less expense to the state. People with more education make more informed health and lifestyle choices. There is a stronger tax base for state and local governments. Jobs filled through the training programs in this bonding bill will not be outsourced. All of these projects are worthwhile, and the time is right to move forward. Further delaying these needed projects will result in higher construction costs and continued deferred maintenance expenditures on existing facilities. If they do not move forward now, critical water-related challenges will be created in north-central Montana. The Fort Belknap Water Compact and the St. Mary's project are essential to the economic well being of the entire northern tier of Montana. She referred to the handout (Exhibit 4).

{Tape: 1; Side: B}

She stressed the need to take advantage of low interest rates. She expressed concern about the status of the Great Falls College of Technology. The figure they were initially given was \$20 million for the expansion of that facility in order to meet the

demands of employers in the market, and that was cut to \$11 million. This project has been in the works for six years. She asked that the committee carefully evaluate the figures, make adjustments, and then concur on HB 540. A two-thirds vote is required. There is a coalition of communities and legislators working together to achieve this goal.

Proponents' Testimony:

Lieutenant Governor John Bohlinger thanked **REP. DICKENSON** for bringing forward a thoughtful piece of legislation. He and Governor Schweitzer spent nine months last year traveling the state of Montana visiting with people in small and large communities about their vision and hope for Montana. Almost unanimously it was to provide an opportunities for our children. The message was clear we must reinvest in education and provide young Montanans a chance to acquire the job skills that Montana employers are looking for. As they visited with employers they learned there was a need was for more plumbers, electricians, carpenters, machine operators, medical technicians, and computer technicians. These are job skills that can be acquired in our schools of technology. With a two-year certificate these young people will be able to place themselves in the workforce in jobs that will allow them to live the American dream, buy homes, raise families, and educate their children. It starts with an investment in education, particularly in the schools of technology. HB 540 will provide \$40 million to help build the infrastructure in the schools of technology. It will provide an open door and an opportunity for young Montanans. Much of that need has been unmet for many years. A recent article on the front page of the Billings Gazette showed the school of technology was holding classes in what used to be janitorial supply rooms or broom closets. This is woefully inadequate and is something that this bill will address. He described a keen interest in the \$19.5 million for DNRC water projects. One of his jobs as Lieutenant Governor was co-chair of the St. Mary's Working Group. This group is focusing their energy and efforts on restoring the St. Mary's Canal. The St. Mary's Canal provides water for the Milk River. The Milk River provides irrigation for about 140,000 acres of Highline farming. This is the economy of the Highline. It is also the source of water for cities from Havre to Glasgow. The St. Mary's Canal is now 90 years old and is beginning to show its age. It has sprung a leak and is in danger of collapsing. When it fails it will leave the Highline without the necessary water for survival. This bill is critical to that and will provide a funding source for an infusion of federal money that will see the completion of the restoration of the canal. It is their hope that this committee will move this bill forward.

Sheila Stearns, Commissioner of Higher Education, rose in support of the bill. There has been 50 percent enrollment growth in the colleges of technology in the last ten years. It is their dream through Shared Leadership for a Growing Economy that they will have at least 50 percent, 100 percent, or more enrollment growth in the two-year colleges, but they need these facilities in order to accommodate that growth. She stated support for the projects at the Agriculture Experiment Stations. She reported visiting the Agriculture Experiment Station at Sidney and described how they are leveraging the whole agricultural area there into a much more economically reliable place. The Miles City and Sidney Agriculture Experiment Stations are helping those areas be more prosperous. Glendive is more dependent on the mercurial gas and oil industries. The Montana Bureau of Mines and Geology Building was built in 1898. The \$3.5 million for Gaines Hall would save money that otherwise would have to be put into renovation. The time is right for these projects that benefit students and researchers. She thanked the sponsor, her friend and college classmate **REP. DICKENSON**. The University System supports the water projects and the history museum. She noted her late mother and late father-in-law were both trustees of the Montana Historical Society, and she knew this would fulfill the dream of many people.

Barbara Broberg, Montana Women Involved in Farm Economics, stood in support of the agricultural component in the bill and the water projects on the Highline.

John Youngberg, Montana Farm Bureau Federation, said he was also speaking on behalf of the Montana Grain Growers and the Montana Stock Growers. There are a number of things in the bill of interest to agriculture, among them the St. Mary's project, the two-year colleges, the Montana Agricultural Experiment Station, and Gaines Hall.

Kayla French, Board of Regents, advised the Board made a commitment to deliver education at a certain level of quality. That cannot be done without quality facilities. This bill goes a long way towards maintaining those facilities and creating some new ones. It is important for the students to have the educational opportunities that they seek in the state.

Charles Brooks, Yellowstone Board of County Commissioners, and **Billings Area Chamber of Commerce**, stated many members of the community of Billings rely on the College of Technology for trained employees, particularly the construction industry and the refining industry. This is a strong economic development bill, and he urged favorable consideration.

Frank Gilmore, Chancellor, Montana Tech, asked the committee to support the bill because it will provide the Petroleum Engineering Building and the Bureau of Mines Building. Both of those programs are essential to the further development of natural resources, and that is a major part of economic development for the future of the state.

Cary Hegreberg, Montana Contractor's Association, testified HB 11 is one of their favorite bills, along with HB 5. There is money for construction that creates high paying jobs and investment in the colleges of technology. Contractors are having difficulty finding skilled labor. Montana contractors through prevailing wages in Montana pay upwards of \$20 or more for skilled labor, including equipment operators, carpenters, welders, etc. He said they hired **Jerry Laughery** as Education Training Director whose mission it is to insure Association companies have a skilled workforce. The Association put seed money into the Missoula College of Technology for a carpentry training program. He thanked Dean Paul Williamson for assisting them in that public-private partnership. **Laughery** is working with the high schools and the community colleges to put a carpentry training program in place so member companies will have a workforce to draw from. The Board of Directors approved funding to start a similar pilot project at the Billings College of Technology. The Association is also forming a 501(C)(3) non-profit education training foundation which member companies will put money into. Members have demonstrated a commitment to working toward an educated, skilled workforce in Montana. Sletten Construction, Great Falls, put a \$1 million endowment into MSU's College of Engineering. The Association puts tens of thousands of dollars into scholarships and endowments every year. He had no doubt that when there are credible, bone-fide programs in place at the colleges of technology that the construction industry will help form successful programs at that level. He spoke in favor of the St. Mary's water project.

Bob Frazier, Dean, Helena College of Technology, advised that colleges of technology are truly colleges at this point in time. Ten years ago, they were Vo-techs. He indicated they had seen a 50 percent increase and had gone from six-degree programs to 25 associate degrees. He noted the need for skilled workers and asked for support for the bill. This bill allows the COT to consolidate the school into two locations. He said **SEN. JOHN BRUEGGEMAN** was so confident in this program, that he enrolled in a welding class and will earn his certification in about two weeks.

Janie McCall, City of Billings, Deaconess Billings Clinic, said she was also representing **Tom Ebzery, St. Vincent's Healthcare.**

All of those organizations along with MSU Billings are members of Celebrate Billings, an organization focused on the improvement of health, education, and welfare for Billings. Right now there is a joint community library project that is taking place between the City of Billings and MSU Billings. It is in the planning stages currently, and the assistance in this bill will help in promoting the planning. The plans are for a general obligation bond issue to go to the voters in 2009 for that project. Healthcare also is the fastest growing economic sector in the Billings area. MSU Billings Technical School and the college provide a technical program for surgery, radiation, and a graduate program in health administration. She strongly urged support for the bill.

Mike Murphy, Montana Water Resources Association, went on record in support of HB 540. This is an important, appropriate, and important investment in the economy of the state of Montana. He stated support for the St. Mary's Project and the Fort Belknap issues.

Eric Burke, MEA-MFT, said he was representing faculty members in the Montana University System. They believe it is one of the best bills in the session in terms of creating an economic impact through our educational systems.

Steve Wade, Conoco Phillips, advised the refinery manager in Billings, **Mr. Churchill**, asked him to support HB 540. The College of Technology in Billings is a valued partner of the refinery.

John Cech, MSU Billings College of Technology, urged support for HB 540. The MSU Billings College of Technology witnessed a 78 percent growth in students. This growth has been the result of the creation of partnerships with Exxon Mobile, Conoco Phillips, Head Start, School District 2, Wells Fargo, Yellowstone County, the City of Billings, St. Vincent Health Care, Deaconess Billings Clinic, St. Johns, etc. They are excited about their new partnership with the Montana Contractors Association. The city of Billings passed a public safety bond issue that will result in the need to hire at least fifteen new firefighters. The fire chief approached the college about nine firefighters who need paramedic training. The partners for the college believe in the ability of the college to impact the trained workforce in the Billings area. They are stepping up to the plate with financial commitments. The *Billings Gazette* strongly endorsed HB 540.

EXHIBIT (fcs72a06)

EXHIBIT (fcs72a07)

This will allow MSU Billings to realize Phase II of its long-range building plan. The planning study was approved by the 2001 Legislature, and Phase I was a \$2 million commitment that MSU Billings had to raise through private and federal support.

Mark Manoukian, St. Mary's Working Group, requested full support of this legislation as currently proposed, specifically those issues related to the Milk River system. Legislation the committee considered earlier would help them build a bridge to work on the St. Mary's. They will be able to leverage federal dollars needed to provide re-construction and rehabilitation money.

Chris Tweeten, Office of the Attorney General, advised **Attorney General McGrath** supports the bill, particularly the elements of the bill that implement the Fort Belknap Indian water rights settlement. The Compact Commission works to settle Indian and federal water rights claims in the state of Montana within the context of the statewide water adjudication that was enacted by the Legislature in 1979. Should these claims not settle through the Compact Commission process, the Attorney General will be responsible for taking those cases through litigation. They are committed to the concept demonstrated throughout the West that dispute resolution of these issues is preferred. At Fort Belknap the Compact Commission brought the compact for legislative approval a couple of sessions ago, and the Legislature approved that compact. As part of that compact the state undertook to fund and construct certain mitigation measures. Those mitigation measures are necessary because, as part of the settlement, the Tribes at Fort Belknap agreed to forgo some portion of their water rights in order to avoid upsetting existing uses in the Milk River Basin. In exchange, the state committed to creating these mitigation measures to allow those uses to continue with the least possible impact. The funding in this bill is the initial funding step for those mitigation measures. These are not payments going directly to the Tribe in the form of compensation; these are measures that will be put in place on the ground to improve the efficiency of water storage and usage in the Basin.

EXHIBIT(fcs72a08)

{Tape: 2; Side: A}

Arnie Olsen, Montana Historical Society, stated they strongly support HB 540, which provides \$7.5 million toward the purchase of the Capital Hill Mall property for a new Montana History Center. Their current facility was built in the early 1950s and no longer meets their needs. They have 31,000 square feet leased

in three separate buildings. Their space needs to grow at the rate of almost 1200 square feet per year. Not only do they have inadequate storage for state records and collections, but exhibit space does not allow them to adequately display some of the collection. Parking is almost non-existent, especially for buses and RV's. It has become difficult in their old building to maintain environmental controls. There are no classrooms available to help them work with thousands of school children who visit each year. They lack auditorium space; often over 200 people come to programs given in the 69-seat meeting room. They lack quarantine areas to control insects and mold and lack workspace to prepare exhibits and conserve artifacts and art. The proposed new Montana History Center would serve the state as a whole as well as out-of-state visitors. A handout listed examples of significant donations from all fifty-six counties. In a typical year the Society fields over 13,000 information requests from the entire state and reaches over 18,000 Montana students with their programs and activities. In 2004, they worked with 53 communities, had 17 traveling exhibits that toured the state, and provided technical help to 50 institutions. Beyond the statewide significance, many of their collections are of national significance as outlined in the handouts. The museum is one of 750 nationally accredited museums out of a total of 16,000 museums nationwide. The concept and opportunity to convert the Capital Hill Mall, three blocks north of the state capitol, to a new Montana History Center started when they were approached last fall. After reviewing the potential from cost efficiency, location, parking, overall square footage, positive impact on tax base, and practicality, the Board of Trustees of the Society felt this proposal had more potential than any other alternative considered in the last six years. The Montana History Foundation also felt this project would lend itself to significant fund-raising to match state contributions and had potential operations offsets as detailed in the handouts. There is an economic development impact related to expected increases in tourism. The Cody Museum, with an annual visitation of 230,000, is a great example of what can happen, even with an average collection, if there are good facilities. Montana is becoming known for having the best historic collection west of the Mississippi and for having some of the most outdated facilities. HB 540 would help change that, and he urged support for the bill.

[EXHIBIT\(fcs72a09\)](#)

[EXHIBIT\(fcs72a10\)](#)

[EXHIBIT\(fcs72a11\)](#)

Amy Sullivan, Montana History Foundation, said each of them play an important role in the future of our past. With the seed money

in HB 540 will come up to \$30 million in private donations. Every day average Montanans will make this happen along with dignitaries like the Governor, the Congressional delegation, their steering committee co-chair Betty Babcock, Joe Mazurek, and Lee Rostad, the President of the Board of Trustees. The project will not dislocate private industry. The current owners of the mall approached the Society because they wish to relocate the Mall tenants to a new and improved site. The tax base will improve up to three-fold, according to the mall developers, through the increased size and profit of a new mall. The history center will not look like a mall, and they are only interested in the cost savings of the underlying shell of the mall. The concept for the History Center is to maximize the use of public space. The intention is have 95 percent of it open for public research, gallery space, space for children, and retail space. The heating and cooling mechanisms and new roof will save utility costs of up to half of what the mall owners pay now. The Society will vacate a prime building on the capitol complex that will allow the state to save money by reducing rent they pay in other areas. Revenue from visitors will increase, and 50,000 of the new complex will be leased which will offset the cost of moving to a new building. She provided letters of support from former Governors, etc.

EXHIBIT (fcs72a12)

She noted there was support from the Montana Tourism Coalition, the Montana Innkeepers Association, and the Montana Chamber stands in support of this bill. She presented written testimony from Betty Babcock, Joe Mazurek, and Lee Rostad.

EXHIBIT (fcs72a13)

EXHIBIT (fcs72a14)

EXHIBIT (fcs72a15)

Larry Mires, Two Rivers Economic Growth, stated he represented Valley County, Great Northern Development in northeastern Montana, and is the Executive Director for the St. Mary Rehabilitation Working Group. They strongly support HB 540 and the education components. The museum is a crucial element, and they support that as well. They support the concepts of the Fort Belknap Water Compact. The Working Group will travel to Washington D.C. to meet with the Congressional delegation as well as members of the Interior Department to discuss the future of the St. Mary's Canal. HB 540 gives them leverage to work with that, and the concurrence of the committee would be appreciated.

Chris Christiaens, Montana Farmers Union, stated support for the bill for all the reasons previously heard. Without the St.

Mary's water project, agriculture is in dire straights.

Jake Weiner, Attorney, Montana Reserve Water Rights Compact Commission, stressed the importance of the Fort Belknap Compact to adjudication in the state of Montana and to water supply and management on the Highline. He underscored that the funding in HB 540 is essential to move the Compact forward through Congress.

Opponents' Testimony:

John Smart, Helena, testified he had three years of experience with the Department of Prints at the Art Institute of Chicago, taught at both the high school and college levels in Montana for four years, and was the archival photographer at the Montana Historical Society from 1981-1993. He described himself as a friend of the "old" Historical Society. He agreed with the need to support education. Education puts money back into the economy. He quoted Jack Horner, Museum of the Rockies, who explained in a PBS interview that when he went to school anyone with a high school diploma could afford to go to college. Horner came from a family of moderate means and brought in millions in private funding to one of the primary museums in the West. Some of the funding for education has been slashed to include the mall museum purchase without sufficient study. He presented a handout to the committee that included comments of many who were afraid to speak in public because this is a contentious issue in the community. The media has not provided any investigation.

EXHIBIT (fcs72a16)

The Society is currently paying \$90,000 a year to rent the Scriber Building from the Montana History Foundation. He stated respect for Ms. Sullivan's professionalism but disagreed that \$30 million was just around the corner. He thought a compete audit was in order. If the Foundation is not able to come up with the estimated \$30 million, it will come from the taxpayers. He claimed the Foundation is sometimes barely able to keep the doors open. He noted that culturally sensitive artifacts from the Scriber collection may be subjected to the Indian Repatriation Act. One of the dangers in acquiring the mall is the fact that it is a dated building. Last fall the mall was fined \$1,700 for violations of the asbestos act. According to the Department of Environmental Quality (DEQ), no one has fully studied the asbestos liabilities in that building. The Historical Society Library had to renovate because there was asbestos in the ceiling, and that was very expensive. A complete engineering study must be done before the state purchases the mall. Another issue is the potential of another earthquake. He did not know if the mall is designed to withstand a major earthquake. He

addressed the importance of the Scriver collection and maintained only a limited portion of that collection is of national quality and requires continuous conservation. He noted that a DEQ press release citing the asbestos violation was never printed. The state has mismanaged water quality for decades which is why taxpayers are paying for water treatment in perpetuity in the Little Rocky Mountains. Disturbed asbestos is more dangerous than latent asbestos. He was part of the team that worked with the engineers on the expansion of the Montana Historical Society. One of the first things they had to do was remove the asbestos from the Library and make sure the building was earthquake-proof. Bank vaults are past of the museum, and he wondered about the cost of building those. Frontier type tourism has been declining at the rate of about five percent a year and museums never pay for themselves. Art is a luxury and not a necessity. Museums have to be sustained through significant, private donations. In the twenty-year history of the Foundation, there has been little significant private support for the Society. The Society was formed because former director Dr. Archibald did not have enough time and energy to raise funds and operate the museum. He noted the world's greatest Lewis and Clark Exhibition is unavailable to the Montana Historical Society. The Haynes Gallery has been emptied to make room for it, but the Missouri Historical Society did allow it. He referred to an audit of Virginia City in 2003. Only a tiny percentage of the artifacts purchased had been accounted for. The Scriver collection is not yet catalogued. He strongly suggested an independent audit of the Montana History Foundation and the Montana Historical Society, including the evaluation of employees, job descriptions, and collections. He suggested the entire project be put on hold with no financial commitment made. Once the move to purchase the mall is made, the problems with paying for this questionable adventure will likely end up in the lap of the taxpayers and haunt us well into the future. The deregulation bill was approved without study or even a read by the average Legislator, and the history of cyanide heap leach mining is the same story. Both mistakes have become a negative cash flow in perpetuity. Unless we learn from history we are likely to create more problems and suffering in the future. He favored the money going to education. The Montana Historical Society has been around since 1865 and is only experiencing a temporary dilemma that can be overcome with patience, foresight, and honesty. He favored taking more time for study.

{Tape: 2; Side: B}

Informational Testimony: None.

Questions from Committee Members and Responses:

SEN. TESTER asked if the Historical Society is audited every other biennium. **Mr. Olsen** replied they are audited every biennium. **SEN. TESTER** asked about the status of the asbestos situation in the mall. **Mr. Olsen** advised he had a letter from **Tom O'Connell**, indicating the steps in the purchase process which includes a hazardous materials survey as well as structural analysis.

EXHIBIT(fcs72a17)

He referred to a letter from Westfield Properties, Inc., the owner of the mall, indicating their intention to be open and direct with the buyers.

EXHIBIT(fcs72a18)

The seller would take responsibility for the elimination or restoration of any pre-existing conditions that adversely affects the Society's use of the property. **SEN. TESTER** advised the bill originally had \$68 million in bonding authority. After conversations with the budget director, he offered an amendment to increase that by \$7.5 million to include the Historical Society Building. He wanted the record to be clear that the Historical Society Building did not take money away from education projects. Money within the education projects was moved around so that the Gaines Hall renovation and the MSU Experiment Station was funded and that Montana Tech received an additional \$2 million, raising their bonding from \$7 million to \$9 million.

SEN. LIND asked if the severability clause was standard for this type of legislation or if there is a particular component of this bill that necessitates that. **Mr. O'Connell** advised the severability language is standard in any bonding bill.

SEN. COREY STAPLETON told **REP. DICKENSON** the higher education components have unanimous support. He asked when the amendment got put on her bill. **REP. DICKENSON** advised it got put on in the Joint Subcommittee on Long Range Planning. **SEN. STAPLETON** asked if there is dollar figure on the asbestos liability. **Mr. O'Connell** referred to his letter. Before serious negotiations for the mall could take place, by law they have to do a full asbestos and hazardous material study of the facility. He had no idea what asbestos might be found or what the cost of abatement might be. His indication to **Mr. Olsen** in the letter was that could be negotiated as far as the purchase price. **SEN. STAPLETON** inquired if this was typically the order. **Mr. O'Connell** advised the only difference is this involves the purchase of a building. Normally they are renovating or constructing a new building. In

the recent project to renovate the Capitol steps they had to do an asbestos and hazardous material study. The \$7.5 million in the bill could be used for the purchase and/or renovations. **SEN. STAPLETON** commented when government or quasi-government organizations try to purchase or take over private sector property, it is a big community issue. He wondered about proponents from the community and if there had been public hearings in Helena. **SEN. DICKENSON** replied she had not studied or been a part of the process. The museum did not have an opportunity to bring proponents or opponents forward at the initial joint subcommittee meeting, but there were proponents at the hearing before the House Appropriations Committee. **SEN. STAPLETON** stressed the importance of community input. **REP. DICKENSON** deferred the discussion to **Ms. Sullivan**. **Ms. Sullivan** indicated there was tremendous public support for this project. They were asked to limit proponents to one or two people for this hearing. The Helena Chamber of Commerce pledged its full support as did the City of Helena, and a poll taken in the *Independent Record* in February showed that 70 percent of respondents supported the project. The other 30 percent had concerns about replacing the mall. She received \$40,000 in donations and had not asked for any yet. Potential donors were waiting for a commitment from the state. **SEN. STAPLETON** asked about the decision to amend this onto another bill. **Ms. Sullivan** advised they had a stand alone placeholder bill. The Governor's office suggested that they talk to **REP. DICKENSON**. The Governor had discussions about the \$60 million cap on the bill. The members of long range planning worked hard to increase the cap to \$67.5 million.

SEN. SCHMIDT asked **Mary Moe** about the original request of \$16.5 million for the College of Technology in Great Falls. She asked why it was decreased to \$11 million. **Ms. Moe** said the amount they received will make their project tight, but they were grateful and trust the process. **REP. DICKENSON** added as the process went on other needs became apparent, and general obligation bonding seemed to be the way to deal with some of those. It took a two-thirds vote to get this through the House, and it went through easily. It will need a two-thirds vote in the Senate. There was a feeling that coalition building was a good idea, and that expanding the scope of this bonding bill would draw more political support for its passage. As it was initially introduced Montana Tech had joined in with the original five projects that were part of the bill. The subcommittee opted to add a few more. She had some concerns that the addition of those projects meant a reduction in what was available for Great Falls College of Technology.

SEN. STEVE GALLUS asked **Mr. Smart** to add additional comments to

his testimony. **Mr. Smart** advised he tried to get earthquake insurance on his house and found out how expensive it could be. He questioned whether or not the mall property and contents could be insured for earthquakes. He showed a picture from the *Independent Record*, 1935, of the building on that site that came down in the earthquake. The building was newly constructed and construction faults were not blamed for the damage. It was the site that left the building unable to withstand the tremors. A U.S. geological survey stated that all regions in southwest Montana have produced historic earthquakes and remain seismically active. The churches did not locate anything on the site again after the college building collapsed.

CHAIRMAN COONEY asked if the buildings he talked about were located where the mall is currently. **Mr. Smart** said, exactly.

SEN. LAIBLE asked **Mr. Tubbs** if this was normal for bonding bills. **Mr. Tubbs** referred the question to **Mr. O'Connell**. **Mr. O'Connell** indicated the capital projects fund is a primary vehicle for building state buildings. They do not build new state buildings unless they can bond for them, because the cash program, on a year-to-year basis, does not have enough funding in it to build major new facilities. General fund money is transferred to make debt service payments. **SEN. LAIBLE** said this is new section in the bill and it appeared to him they are doing this differently than they have in the past. **Mr. O'Connell** advised it is only because of the nature of the bill itself. Anytime there is a bond bill in a legislative session, they would see a new section written like this. **SEN. LAIBLE** asked about authorized but unissued general obligation bonds. **Mr. Tubbs** indicated there are a number of bonds that are authorized, and this bill authorizes the issuance of bonds. This does not mean that if they pass the bill and it is signed by the Governor that all of a sudden there is \$60 million in debt created. It just means they have the authority to create \$60 million in debt. If the review of the mall site is favorable and the purchase price is negotiated, there will be a chunk of this sold for the purchase of the mall. That does not mean the St. Mary's project will go out that same day. He thought that would happen towards the end of the biennium. There are projects on the books that have not moved forward for a variety of reasons. His agency and the Department of Administration review the projects, get all the necessary paperwork in place, and then pursue the issuance of bonds. **SEN. LAIBLE** asked **Mr. Weiner** if the Compact has already been signed and agreed to and the funding is to finalize the state obligation as a condition of the Compact. **Mr. Weiner** said the Montana Legislature ratified the Compact in 2001. The process with all of the water compacts they do follow state ratification, ratification by Congress, and then final Tribal ratification. As

it stands now, Congress is not looking favorably on considering any Indian water rights settlements unless there is a demonstration of commitment on the part of the state. The number is based on what a reasonable cost share should be under the Compact but is not a number set in stone. **SEN. LAIBLE** asked if this is the best guess for the state's share. **Mr. Weiner** advised after the Legislature ratified the Compact the cost share team estimated \$11 million. The amount in the bill was \$9.5 million. There is a process of negotiation and discussion that needs to occur. He thought the \$9.5 is a passable number.

SEN. WILLIAMS advised she is on the board of the Sons and Daughters of the Pioneers. The Historical Society building was built on land donated by the Pioneers. There has always been a room and a place for them to keep their records, which she thinks are very important Montana history. If the Historical Society moves, there is no obligation to dedicate that space. **Mr. Olsen** advised he talked to the organization. By law, they have to provide space for them. They would stay in the location no matter what happened to that building or who took it over.

Closing by Sponsor:

REP. DICKENSON thanked all the parties in the process. **REP. JONATHAN WINDY BOY** asked her to convey that the Fort Belknap Tribe is very supportive of HB 540.

{Tape: 3; Side: A}

EXECUTIVE ACTION ON HB 540

{Tape: 3; Side: A; Approx. Time Counter: 0.2}

Motion: **SEN. BRUEGGEMAN** moved that HB 540 BE CONCURRED IN.

Discussion:

SEN. BRUEGGEMAN said typically there is one low-number bonding bill. He said this is a good vehicle and this is the way it is this time.

CHAIRMAN COONEY advised he was a member of the Joint Subcommittee on Long Range Planning. He served for twelve years on the Board of Examiners. Before the bond issuance goes out, there is a lot of work that goes into it. If examination of the Capital Hill Mall proves it is not a good purchase or there are problems beyond what they are financially able to deal with, this project is not going to go further and bonds would not go out.

SEN. STAPLETON said in a perfect world that might be true where the Legislature assumes the bonding process will be objective. Here the buyers and sellers are within a couple square miles of each other. He wondered about the rush to go forward with bonding authority on the museum when they could do it later in the year in the special session. **SEN. TESTER** advised last session the Historical Society proposed renovation of the current location. Early this session he was approached by **Mr. Olsen** about this proposal which **SEN. TESTER** did not favor at the time. The Society wanted \$10 million in bonding with another \$30 million for a total of \$40 million for the project. He had the same concern about government buying out private enterprise. When he looked at the project and the planning that went into it and heard from many civic-minded folks in the Helena community about the opportunity for economic growth if this were to come to pass, he agreed there was a lot of opportunity. Long term it would free up a building near the Capitol that could save some rent costs for the state. If there are asbestos or structural problems in the mall the onus is on **Mr. O'Connell** and others for the due diligence. **SEN. STAPLETON** emphasized the expense of asbestos removal. Any savings could be eaten up with taxpayers on the hook to pay for it. **SEN. TESTER** thought if there was asbestos in the building it would have to be remediated or there would have to be a plan for remediation before the money was put on the line. He agreed that asbestos removal was very expensive.

SEN. BRUEGGEMAN thought there were a lot of red herrings brought up today. Discussions began on this early in the session. All of the members of the subcommittee looked at with a fairly jaundiced eye because it was a hurried issue. The reason it is happening now was the window of decision for the mall owners. They are either going to build a new mall or invest the capital to refurbish this mall. One of the options was to sell it, and they talked to the Historical Society. The purchase price is about \$10 million. The \$30 million to be raised by the foundation will be used to refurbish the mall to suit their needs for the future. The subcommittee considered that this is the right location, in proximity to the Capitol, and thought it was a monumental opportunity for the state and the community of Helena. With a new mall the tax base in Helena will expand and the state will be able to put together a structure and institution of world renown importance. There are serious donors who are willing to put up the money to make it happen. Due diligence will be done, and he thought there was no danger of a catastrophic mistake.

SEN. STAPLETON said one man's red herring was another person's caution or experience. The due diligence of the committee has to do with spending the money. If they authorize \$7.5 million then they are done. He inquired about the appraised value of the

property. **SEN. TESTER** thought it was about \$12 million. **SEN. STAPLETON** cautioned there is a motivated seller who is willing to sell prime real estate at a loss or reduction with no environmental problems and it is being rushed through the Legislature. He suggested that is not a red herring. The colleges of technology have worked hard, have grassroots support for HB 540, and do not deserve to be locked into this project. He thought the only choice for the Legislature was to insist on more excellent preparation before paying for that part of it. **SEN. BRUEGGEMAN** replied the location is not one that fits the needs of the mall in Helena. The location has outlived its usefulness from a retail point of view. That is why the seller might be motivated. They will move the existing businesses to another location. **SEN. STAPLETON** did not think that was necessarily true. He thought it was still a good location and cited urban sprawl. It could be argued that this is a great part of downtown and what really needs to be done is renovation. A classy mall in that location would be very profitable, according to **SEN. STAPLETON**.

CHAIRMAN COONEY advised the Long Range Planning Committee was told by the developers that their concern with the current location is it is restricted. There is little opportunity for them to expand the current property to bring in larger stores and accommodate the current anchor stores in the way they want. They would love to be able to stay in the location, but it is on a fairly defined piece of property. The owners of the mall approached the Historical Society in October. If this is approved there will be the opportunity to move forward if it proves to be in the best interests of the state and the Historical Society. If they do not approve this, the opportunity is lost. If this goes forward, it does not mean that the purchase will happen; it will only happen if it is proven to be in the best interests. Without this authority the opportunity is lost. The \$7.5 million figure was chosen in terms of negotiation. **SEN. STAPLETON** commented the sellers did not come forward as proponents. A worst case scenario would be the owners want to get out from under what would need to be done to renovate in terms of asbestos, etc. They are willing to reduce the price because they know the state government will buy it. **CHAIRMAN COONEY** advised, regarding asbestos or any structural problem, if this is approved those studies and reports will be done. If there is a huge problem this bond would not go forward. Giving bonding authority does not mean the bond is sold. **SEN. STAPLETON** countered that is like saying the Legislature gives authority to deregulate but if the companies do not see it as in their best interest they will not deregulate. Later on the game changed and the Legislature realizes it had a part in a series of events. **CHAIRMAN COONEY** argued that bonding is authorized, but some bonds

are never sold if it is not in the best interest of the state to move forward. He asked **Mr. O'Connell** for clarification. **Mr. O'Connell** gave an example of bonds that were authorized by the Legislature and not sold for a housing unit at Montana State Prison. It was decided that a reception unit was necessary to be built rather than the housing unit. The bonds were not sold and they came back to the Legislature to ask for authorization for a reception unit. He pointed out the due diligence that his department is responsible for was in the letter to **Mr. Olsen**. There would be an independent appraisal of the existing land involved and a thorough analysis of the existing facilities including a hazardous material survey, a structural review, a roof survey, a mechanical systems survey, a complete analysis of the current land ownership, and a further evaluation of the program and how it fits into that facility. All these issues must be thoroughly understood before entering into any serious negotiations for the property. Identified deficiencies may result in allowances to the state or may be corrected by the existing owners before the state obtains ownership. They must know exactly what they are buying and the corresponding value. They will not entertain the sale of bonds until a proper value is established. He did not want to go to the Board of Examiners, which is the Governor, the Secretary of State, and the Attorney General, requesting the sale of bonds for something that does not work on paper.

SEN. GALLUS declared the Legislature will not be back for 20 months. Their action today on this issue by granting that authority will allow the process to go forward. If they do not act on it, there is no opportunity. He agreed with the Chairman that this in no way rubber stamps the bonding of millions of dollars. It has to go through the Board of Examiners, and a thorough investigation will be done of the facility. The Board of Examiners will decide if this is a good option for taxpayers. This is not the last hurdle in this race but is probably the first.

CHAIRMAN COONEY referred to **SEN. STAPLETON'S** question about the where the sellers were today. They appeared before the Long Range Planning committee in support of moving forward to work out some sort of deal. He thought they were committed one way or the other to move the property. They do not feel they can grow and expand as they hope to for the community. The community is growing and expanding and they would like to be able to provide greater retail opportunities for the community. They spoke positively about this option and other options that would allow them to move out of the current property and into a new one.

SEN. SCHMIDT inquired who would pay for the thorough analysis.

Mr. O'Connell advised the analysis would be paid for out of the \$7.5 million appropriation for the project assuming it is approved.

Vote: Motion carried 18-1 by roll call vote with SEN. STAPLETON voting no.

HEARING ON HB 12

{Tape: 3; Side: A; Approx. Time Counter: 24.6}

Opening Statement by Sponsor:

REP. JON SESSO (D), HD 76, Butte, opened the hearing on **HB 12**, General obligation bonds for energy conservation program. The state sells general obligation bonds and uses the bond proceeds to pay for the energy investments. The savings in the energy bills pays off the bonds. The bill obligates the sale of \$3.75 million in bonds and it is necessary for the Legislature to approve it. This is a program that has been operating since 1989, and this is the seventh time that general obligation bonds are being sold for energy conservation projects. The state has saved more than \$7.5 million in these energy conservation projects over the years. Six additional projects were added to the bill. It is typical as projects occur in the assessment process that they be added to the bill. When the bill was drafted in August there were five projects including energy efficiency, boiler replacements, window replacements, etc. There are some irrigation projects where the savings come from the reduced pumping costs. As these projects are evaluated by the Department to be worthy of funding, they get added to the list of projects.

Proponents' Testimony:

Art Compton, DEQ, presented a list of projects to the committee.

EXHIBIT (fcs72a19)

This program pays for itself; the projects save more money than they cost. There is an annual sweep of those savings to the Long Range Building Program. After the bonds are retired, the state continues to realize savings for the life of those energy retrofits. Savings since the program began have been about \$7.5 million. About 64 projects were completed, there are two under construction, nine in design, and ten in development. They retired their first bond series in August of 2002. Their partners in this energy conservation effort are a host of private

engineers and contractors, the Architectural and Engineering Division, Northwestern Energy, and a host of facilities such as Warm Springs, School for the Deaf and Blind, Montana Mental Health and Nursing Care Center, and the University System.

Tom O'Connell, State Architect, stated this bill works with HB 5 to give the state a bigger bang for the buck in the improvement of its facilities. Many times projects are approved in HB 5 for repair and maintenance or to improve stability and coordinated with DEQ to include energy improvements in the projects because of the authority in HB 12. He urged support for the bill.

Opponents' Testimony: None.

Informational Testimony: None.

{Tape: 3; Side: B}

Questions from Committee Members and Responses: None.

Closing by Sponsor:

REP. SESSO said this is a great program, and he was pleased to be the sponsor of the bill. The energy savings not only pay off the dollars necessary to make the capital improvements but then accrue to the overall budget. **SEN. LIND** will carry the bill on the Senate floor.

EXECUTIVE ACTION ON HB 12

{Tape: 3; Side: B; Approx. Time Counter: 1.6}

Motion: **SEN. WILLIAMS** moved that HB 12 BE CONCURRED IN.

Discussion:

SEN. LANE LARSON recalled MSU Billings did a light retrofit under this program to replace the old ballast system and those create some heat. Their total cost of lighting went down dramatically, but their heating bill went up. **SEN. BOB HAWKS** wondered what happened to their air conditioning costs.

SEN. SCHMIDT asked **Mr. O'Connell** about page 3, line 5 regarding the Montana Mental Health and Nursing Care Center. She heard they were thinking of closing. **Mr. O'Connell** advised the Montana Mental Health Care Center in Lewistown is alive and well. The Department has been doing projects there for a number of years. This is another phase of improvements.

Vote: Motion carried 13-0 by voice vote.

HEARING ON HB 299

{Tape: 3; Side: B; Approx. Time Counter: 4.7}

Opening Statement by Sponsor:

REP. JACK WELLS (R), HD 69, Bozeman, opened the hearing on **HB 299**, Long-range building program bonds. This bill authorizes some state debt with general obligation bonds. The bill appropriates some money for the Department of Transportation, DOT, to build a series of about 14 storage buildings around the state. With current interest rates it looked like bonding for this would be a good way to go for the Department. They will issue these bonds as the construction program progresses and will pay back the bonds with state special revenue funds from the gasoline tax. The bill authorizes \$5.1 million.

Proponents' Testimony:

John Blacker, DOT, advised the Department has about 900 individual buildings statewide at about 130 different sites. Typically they have dedicated about \$5 million every biennium for the maintenance and building of facilities. About \$3 million goes towards operations and maintenance and another \$2 million towards capital improvements. With the cost of building materials going up and interest rates low, they saw this as an opportunity to save money. They did an inventory of their facilities and had approximately 15 facilities that were substandard and sixty or more years old or did not have the capacity to hold the additional equipment with the expansion of the secondary road system. The bill allows them to take part of the \$5 million facility program and bond about \$603,000 per year to build these 15 facilities. There will be an additional two-bay construction in Boulder, a new six-bay for Livingston, an additional two-bay for Townsend, a new six-bay for Dutton, a four-bay for Cascade, a six-bay for Havre, a four-bay for Terry, and a new four-bay at Harlowton. In Scobey, the Department had an opportunity to buy out a defunct business in the area cheaper than they could build a new building. Two years ago, they built a six-bay building for \$385,000. Today they are asking for \$475,000 to build those same six-bay buildings. These are low maintenance steel buildings.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

SEN. LAIBLE asked if the bond was necessary in order to build all these buildings at once. He wondered about the general obligation rate. **Mr. Blacker** indicated it was \$10.1 million, but they are not increasing their total expenditure out of the Department for this bonding rate. Their payment back to this bond is coming out of their traditional \$5 million. It will be about \$603,000 based on the interest rate.

SEN. HAWKS asked **Mr. O'Connell** if there was architectural input into the design of highway buildings. He thought a false front might do something for the roadside view, and siting might be another aspect of this. **Mr. O'Connell** advised they are trying to build a utilitarian type of building that services the needs of the Department of Transportation. By law, they hire architectural firms to design these buildings. He agreed the end result is an uninspiring building. **SEN. HAWKS** advised this is a tourist state, and he favored consideration of the design of these buildings while keeping costs at a reasonable level. **Mr. O'Connell** agreed and said they would take that into consideration.

SEN. JOHN ESP inquired how many square feet are in a six-bay unit. **Mr. Blacker** replied about 5000 square feet. A six-bay building is rectangular with 3 doors on each side.

SEN. SCHMIDT asked why the whole bill is all new sections. **Mr. Blacker** advised this is the first time they asked for bonding with regards to facilities short of the main headquarters building which was bonded in the mid-1970s. With bonding bills, there will be new sections each time.

Closing by Sponsor:

REP. WELLS stated this is a good bill. It is a little different approach to generating the funds for these buildings, but it is a good time in the economy to do so.

HEARING ON HB 748

{Tape: 3; Side: B; Approx. Time Counter: 16.8}

Opening Statement by Sponsor:

REP. JACK WELLS (R), HD 69, Bozeman, opened the hearing on **HB 748**, General obligation bonds for water resource projects. HB

748 was developed in the Joint Subcommittee on Long Range Planning. This bill would authorize state debt for the issuance of general obligation bonds. This money is given to DNRC. They will use this for state matching funds to gain some federal funding for North Central Regional Water System and the Dry Prairie Regional Water System. The reason they generated this bill out of the committee was through some guidance and intuitive direction from **Mr. Tubbs** and others. The original plan was for funding \$5 million in HB 2 and backing it up with some bonding authority. The subcommittee decided if they generated this bill and got approval for bonding authority, they could take \$5 million out of HB 2. He stressed the importance of the water projects.

Proponents' Testimony:

Mr. Tubbs advised it was HB 11, not HB 2. There are some dollars in HB 2 for one employee that works on regional water. The construction funds are the subject of HB 11 that was heard earlier today. A provision in this bill removes that appropriation should this bill pass. Because it is bonding and not cash, that is how it improves the situation with the spending cap. These funds will not be counted, whereas the HB 11 appropriation is currently counted against that spending cap. As with the other bonding bill, HB 540, it is not the intent of the Department to immediately sell \$5 million worth of bonds. They plan to get a line of credit with the Board of Investments to minimize any interest costs. If they get a draw for construction for a regional facility, they would borrow the dollars from the Board of Investments at that moment in the form of a bond anticipation note. At the end of two years he will issue whatever the principle amount of those draws was to pay off the Board of Investments. This was not a proposal of the Executive but provides an opportunity to deal with the issues that face the state Senate. He was happy with the coordination provision. With either bill regional water projects will be funded. Those include the North Central Rocky Boy and the Fort Peck Dry Prairie. He thanked the committee and **REP. WELLS** for carrying the legislation forward.

Cary Hegreberg, Montana Contractor's Association, stood in support of the bill. They believe these rural water systems are important to Montana and the construction economy. Construction in some parts of the state is booming. In some parts of the state it is not, and there is not much economic activity at all. Aside from bringing long-term benefits, these projects bring some short-term economic impetus through the construction spending. They worked closely with advocates of these rural water systems. Research out of the South Dakota showed when livestock is given

high quality water it increases weaning weights by an average of 20 pounds per animal. Water in this part of the state is terrible; people cannot drink it, and livestock do not prosper on it. Increasing the weaning weights of tens of thousands of cattle raised in that area would mean a lot of money to that local economy.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

SEN. SCHMIDT inquired if the technical note had been corrected. **Mr. Tubbs** indicated it had been corrected with the amendments.

SEN. HAWKS asked about Montana's ranking with regard to bonded indebtedness and whether it is affected with this request. **Mr. Tubbs** replied, it is not. He stated he has been in the bonding business for about 15 years, and this state is very conservative. There is some debt, but it is being aggressively paid down. Montana is the lowest in the nation for per capita debt. The capacity is there to issue debt at this point in time. The Legislature could not do as many bonding bills every session for the next decade and maintain that, but Montana is nowhere near losing its rating. Piper Jaffrey is the financial advisor for the state, and DNRC works with D.A. Davidson for advice. The rating agencies are very favorable towards Montana, and he cited the good work of the Legislature. Every session the Legislature balances its budget as well as when a crisis happens.

SEN. DAN WEINBERG said the bonds will be sold at under 4.5 percent. The federal deficit is out of control, and interest rates will head up and perhaps be out of control. He wondered who would buy these bonds. **Mr. Tubbs** advised most bonds in the state of Montana are purchased by Montanans. There are some institutional buyers. Montanans buy them because there is a double tax incentive so the effective rate of return is higher. It is secure investment and can be traded in the secondary market. **SEN. WEINBERG** asked if **Mr. Tubbs** does not anticipate any problem. **Mr. Tubbs** replied, no. Montana is a conservative investing state, and general obligation bonds in the state of Montana are one of those places where there will be a return.

SEN. ESP advised legislators receive information rating all fifty states. Montana always ranks high in debt per capita.

{Tape: 4; Side: A}

Mr. Tubbs said it is debt per capita versus bonded indebtedness. He said he would track the information down for **SEN. ESP.**

Closing by Sponsor:

REP. WELLS closed on the bill. **SEN. BRUEGGEMAN** will carry the bill in the Senate.

EXECUTIVE ACTION ON HB 299

{Tape: 4; Side: A; Approx. Time Counter: 3.6}

Motion: **SEN. COBB** moved that HB 299 BE CONCURRED IN.

Discussion:

SEN. WEINBERG asked who is looking at the big picture regarding the state's overall bonded indebtedness. **CHAIRMAN COONEY** advised the state has bond counsel, state financial advisors that are contracted to work with the state, the Board of Examiners, and the Department of Administration. They weigh in as the bonds are prepared to go out for sale and at the time of the sale. **SEN. ESP** advised there is about \$200 million outstanding.

Vote: Motion carried unanimously by voice vote.

SEN. COBB will carry HB 299 on the floor.

ADJOURNMENT

Adjournment: 11:26 A.M.

SEN. MIKE COONEY, Chairman

PRUDENCE GILDROY, Secretary

MC/pg

Additional Exhibits:

EXHIBIT ([fcs72aad0.PDF](#))